

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----049219 141017Z /15

R 140715Z JUL 77
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 8091
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY MANILA

S E C R E T SECTION 01 OF 02 SINGAPORE 2964/01

EXDIS

DEPT PASS CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EGEN, PFOR, ASEAN
SUBJECT: SINGAPORE PRIME MINISTER'S FURTHER THOUGHTS ON 10TH ASEAN
MINISTERIAL MEETING

REF: SINGAPORE 2915

1. SUMMARY: IN A SECOND MEETING WITH ME ON THE 10TH
ASEAN MINISTERIAL MEETING, PRIME MINISTER LEE AGAIN
STRESSED THE NEED FOR ECONOMIC, SOCIAL AND POLITICAL
PROGRESS IN ASEAN TO PREVENT SOUTHEAST ASIA FROM GOING
COMMUNIST. AS DESCRIBED IN REFTTEL, HE IS PREOCCUPIED
WITH WHAT HE CONSIDERS INDONESIAN RESISTANCE TO MORE
SIGNIFICANT ECONOMIC COOPERATION; HE NOW CONSIDERS THE
FIVE ASEAN INDUSTRIAL PROJECTS A CUL-DE-SAC BECAUSE OF
THE INDONESIAN STATE CAPITALIST APPROACH TO THEIR
MANAGEMENT AND THE FACT THAT EVERY DECISION AFFECTING
ONE OF THESE PROJECTS WOULD BECOME A MATTER OF INTER-
GOVERNMENTAL DEBATE. HE BELIEVES THAT ASEAN MIGHT

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NEED TO FIND A MECHANISM TO PERMIT THE OTHER COUNTRIES
TO MOVE FORWARD MORE RAPIDLY WITH ECONOMIC DEVELOPMENT
BASED ON FREE ENTERPRISE WHILE INDONESIA PROCEEDS AT
ITS OWN PACE. HE SUGGESTED THAT THE U.S. OR JAPAN
MIGHT DO A SURVEY OF VIABLE PROJECTS IN ASEAN COUNTRIES
WHICH COULD BE DEVELOPED BY PRIVATE CAPITAL.

2. FOREIGN MINISTER RAJARATNAM, WHO WAS ALSO PRESENT, STATED THAT INDONESIAN FOREIGN MINISTER MALIK HAD MADE PROPOSALS AT THE 10TH MINISTERIAL MEETING (REPEAL OF THE BANGKOK DECLARATION, ABOLITION OF THE ASEAN STANDING COMMITTEE, AND STRENGTHENING OF THE INDONESIAN-BASED ASEAN SECRETARIAT) THAT WOULD HAVE TAKEN ASEN BACK TO ITS PRE-BALI SUMMIT STAGE AND GIVEN INDONESIA MUCH GREATER INFLUENCE OVER ASEAN. RAJARATNAM ALLEGED THAT INDONESIA WANTS TO RE-DIRECT ASEAN TOWARD A "KONSEPSI" OF MUTUAL SECURITY AND DIMINISHED ECONOMIC COOPERATION. MALIK EVENTUALLY BACKED DOWN TO SOME EXTENT ON HIS PROPOSALS AND AGREED TO A FORMULATION WHEREBY THE STATUS QUO WILL BE MAINTAINED "UNTIL CHANGED." END SUMMARY

3. I HAD A FURTHER MEETING WITH PRIME MINISTER LEE KUAN YEW JULY 12. ALSO PRESENT WERE FOREIGN MINISTER RAJARATNAM AND DIRECTOR OF MFA POLITICAL DIVISION TAN BOON SENG. (TAN HANDLES ASEAN MATTERS FOR THE GOS AND IS ITS REPRESENTATIVE AT SENIOR OFFICIALS MEETINGS.) NOTHING INTRINSICALLY NEW EMERGED FROM THIS MEETING, BUT FM RAJARATNAM PROVIDED ADDITIONAL INFORMATION ON ATMOSPHERICS AND ON THE SITUATION CREATED BY INDONESIA AT THE 10TH ASEAN MINISTERIAL MEETING (REFTEL), WHILE PM LEE EXPATIATED FURTHER ON POSSIBLE ALTERNATIVE ROUTES FOR ASEAN ECONOMIC DEVELOPMENT.

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4. AS TO THE 10TH MINISTERIAL MEETING, RAJA NOTED THAT ASEAN'S EMPHASIS ON ECONOMICS UNDER TERMS OF THE BANGKOK DECLARATION DIDN'T SUIT THE INDONESIANS, SINCE IT POINTED ASEAN AWAY FROM THEIR OWN "KONSEPSI" OF IT AS A POTENTIAL MUTUAL SECURITY ORGANIZATION AND POLITICAL GROUPING IN WHICH INDONESIA WOULD PLAY A LEADING ROLE DUE TO ITS SIZE AND POPULATION. MOREOVER, HE SAID, THE INDONESIANS FELT THEY WERE AT A DISADVANTAGE IN KEEPING UP WITH THE OTHER ASEAN STATES IN ECONOMIC DEVELOPMENT--THE MORE ADVANCED COUNTRIES, SUCH AS SINGAPORE, WOULD TEND TO PROFIT AT INDONESIA'S EXPENSE.

5. ACCORDINGLY, RAJA STATED ADAM MALIK HAD ARRIVED AT THE 10TH MINISTERIAL MEETING ARMED WITH THREE MAJOR PROPOSITIONS: TO REPEAL THE BANGKOK DECLARATION, TO ABOLISH THE ASEAN STANDING COMMITTEE, AND TO STRENGTHEN THE ASEAN SECRETARIAT. THE NET EFFECT WOULD HAVE BEEN TO TAKE ASEAN BACK TO WHERE IT WAS BEFORE THE BALI SUMMIT. MOREOVER, WITHOUT THE STANDING COMMITTEE TO PRESENT ISSUES TO ASEAN GOVERNMENTS BETWEEN MINISTERIAL MEETINGS, AND WITH A STRENGTHENED SECRETARIAT BASED IN JAKARTA AND LED BY AN INDONESIAN CHARGED WITH PREPARING AGENDAS

FOR MINISTERIAL MEETINGS, INDONESIA WOULD BE
IN A POSITION TO EXERCISE BROAD DAY-TO-DAY INFLUENCE
OVER ASEAN AFFAIRS.

6. TO SINGAPORE'S SURPRISE, PHILIPPINE FOREIGN AFFAIRS
SECRETARY ROMULO HAD INITIALLY SUPPORTED INDONESIA,
PROBABLY BECAUSE THE PHILIPPINE FOREIGN AFFAIRS DEPART-
MENT HAS BEEN EQUABBLING WITH THE ECONOMIC DEPARTMENTS
AS TO WHO SHOULD HAVE THE FINAL SAY IN ASEAN MATTERS.
HOWEVER, ROMULO CHANGED HIS TUNE AFTER HE SAW THE STAND
OF SINGAPORE, MALAYSIA, AND THAILAND, AND SUBSEQUENTLY
RECEIVED PRESIDENT MARCOS' PERMISSION TO OPPOSE ANY
ALTERATION OF EXISTING ARRANGEMENTS. (MALAYSIA AND
THAILAND STOOD WITH SINGAPORE BECAUSE BOTH HAVE SET A
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HIGH PRIORITY ON ECONOMIC PROGRESS, AND MALAYSIA ALSO
DIDN'T WANT ASEAN TO ASSUME ANY SEMBLANCE OF A MUTUAL
SECURITY ORGANIZATION.) RAJA SAID THAT MALIK HIMSELF
WANTED TO BE FLEXIBLE, BUT WAS TOLD IN A TELEPHONE CALL
TO JAKARTA TO REMAIN FIRM. NEVERTHELESS HE BACKED DOWN
SOMEWHAT AND AN AGREED FORMULATION WAS ARRIVED AT WHEREBY
THE STATUS QUO WOULD BE MAINTAINED "UNTIL CHANGED."
THERE THE MATTER RESTS, AND THE SINGAPOREANS HAD OBSERVED
WITH INTEREST THAT MALIK WA QUOTED IN FRONT OF THE
MERDEKA PALACE AFTER MEETING WITH PRESIDENT SUHARTO
AS SAYING THE BANGKOK DECLARATION REMAINS IN EFFECT.
WHAT APPARENTLY SWUNG INDONESIA BACK WAS A WARNING
FROM SINGAPORE, SECONDED BY ROMULO, THAT A RULES CHANGE
WOULD MEAN THAT THE ASEAN SUMMIT WOULD BE UNABLE TO
CLAIM ANY PROGRESS.

7. PM LEE THEN TOOK UP THE STORY, RECOUNTING WHAT HE HAD SAID
TO ME JULY 9 ON THE NEED FOR ECONOMIC, POLITICAL, AND
SOCIAL PROGRESS IN ASEAN TO PREVENT SOUTHEAST ASIA
FROM GOING COMMUNIST. EMPHASIZING THE CRUCIAL NATURE
OF ECONOMICS, HE SAID HE HAD NOW COME TO APPRECIATE
THAT ASEAN IS IN A CUL-DE-SAC WITH ITS FIVE AGREED-UPON
INDUSTRIAL PROJECTS. THE STRICTLY GOVERNMENTAL MAKE-UP
OF THE BOARDS OF DIRECTORS (SEE REFTTEL) AND THE VETO
POWER EACH BOARD MEMBER POSSESSED WOULD TURN EVERY
MANAGERIAL DECISION INTO AN INTERGOVERNMENTAL NEGOTIATION
(OR CONFRONTATION) RATHER THAN KEEPING IT A STRICTLY
ECONOMIC AFFAIR, AND EACH GOVERNMENT COULD USE A THREATENED
VETO ON SOMEONE ELSE'S PROJECT TO DERIVE ADVANTAGES FOR
ITS OWN PROJECT.

NOTE BY OC/T: NOT PASSED CINCPAC.

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ACTION SS-25

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-----049478 141041Z /13

R 140715Z JUL 77
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TO SECSTATE WASHDC 8092
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY JAKARTA
AMEMBASSY MANILA

S E C R E T SECTION 02 OF 02 SINGAPORE 2964
EXDIS

8. PM LEE ATTRIBUTED THIS SITUATION TO INDONESIA'S
PENCHANT FOR STATE CAPITALISM, AND ITS ZEAL TO FIND
SHORTCUTS TO DEVELOPMENT WITHOUT GOING THROUGH (TO LEE)
NECESSARY PRELIMINARY STEPS IN DEVELOPING ENTREPRENEURIAL
SKILLS AND SUPPORTING INFRASTRUCTURE. HE POINTED TO
INDONESIA'S BATAM ISLAND PROJECT AS A CASE IN POINT:
INDONESIA HAD WANTED TO CREATE AN "INSTANT SINGAPORE"
ON NEARBY BATAM WHICH WOULD HAVE THE SAME ADVANTAGES
OF GEOGRAPHY AND INFRASTRUCTURE AS SINGAPORE ITSELF,
BUT RATHER THAN ACCEPT THE FACT THAT SINGAPORE TOOK 158
YEARS OF FREE MARKET CAPITALISM TO DEVELOP, THE INDO-
NESIANS HAD LOOKED FOR THE EFFECT TO BE ACHIEVED
VIRTUALLY OVERNIGHT BY THE STATE FROM THE TOP DOWN.
THE RESULT WAS THAT MILLIONS OF DOLLARS HAD BEEN SPENT
ON BATAM, BUT VERY LITTLE TO SHOW.

9. PM LEE'S OWN SOLUTION, BASED ON SINGAPORE'S EXPER-
IENCE, WAS TO FALL BACK ON PRIVATE INVESTMENT AND
ENTREPRENEURSHIP TO IDENTIFY PROJECTS IN THE ASEAN REGION
WHICH COULD EARN A PROFIT. HE SPECULATED THAT JAPANESE
OR U.S. INTERESTS, OR BOTH, MIGHT BE INVITED TO MAKE
SURVEYS IN EACH ASEAN COUNTRY OF VIABLE PROJECTS WHICH
THEN COULD BE BROUGHT TO FRUITION THROUGH PRIVATE CAPITAL
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SHARED WITH SOME DEGREE OF NATIONAL INPUT, AND WITH THE PRIVATE INVESTOR DEFINITELY ON THE BOARD OF DIRECTORS. THEY KEY ELEMENT WAS THAT EACH PROJECT SHOULD BE ABLE TO MAKE MONEY.

10. PM LEE ALSO TOOK SOME COMFORT OUT OF THE FACT THAT THE RECENT ASEAN ECONOMIC MINISTERS MEETING HAD PRODUCED A LIST OF 71 PRODUCTS, NOT PROJECTS, ON WHICH PREFERENTIAL TRADE WOULD BE PERMITTED, AND FELT THAT THERE WAS CONSIDERABLE SCOPE AMONG THESE FOR PRIVATE INVESTMENT TO FUNCTION WITHOUT A VETO THREAT. AS PROGRESS WAS MADE, THE LIST COULD BE EXPANDED. IN THE MEANTIME, IF INDONESIA CONTINUED TO INSIST ON ITS STATE CAPITALISM APPROACH, PERHAPS A "CLUTCH MECHANISM" COULD BE FOUND TO LET IT PROCEED AT ITS OWN PACE WITHOUT INHIBITING THE ACTIONS OF OTHERS. HOPEFULLY, INDONESIA IN DUE COURSE WOULD SEE THE ADVANTAGES OF THE ALTERNATE ROUTE TAKEN BY THE MORE EXTREPRENEURIAL-MINDED ASEAN MEMBERS. (AMONG THESE LAST HE INCLUDED THAILAND AND THE PHILIPPINES ALONG WITH SINGAPORE, ADDING THAT MALAYSIA MAY NOT YET BE IN A POSITION TO FOLLOW ALONG DUE TO ITS TROUBLES WITH ITS INDONESIAN-INSPIRED BUMIPUTRA PROGRAM.)

11. PM LEE HAD NO CONCRETE SUGGESTIONS AS TO A U.S. ROLE IN HIS SCENARIO OTHER THAN THAT TOUCHED UPON IN PARA 9 ABOVE. HE REITERATED, HOWEVER, THAT THE U.S. RETAINS CONSIDERABLE INFLUENCE IN INDONESIA VIA ECONOMIC AID, MILITARY ASSISTANCE, AND IGGI CONTRIBUTIONS. UNLESS THE INDONESIANS "CHANGE THEIR DRUGSTORE," HE SAID, THEY WOULD CONTINUE TO LISTEN TO ADVICE GIVEN BY U.S. FIGURES SUCH AS DEPUTY UNDER SECRETARY COOPER.

12. COMMENT: PM LEE WAS FAR MORE RELAXED THE SECOND
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TIME AROUND THAN HE HAD BEEN ON JULY 9 AND SPOKE MORE IN SORROW THAN IN ANGER. AS BEFORE, HE INDICATED THAT SINGAPORE WILL AVOID DIRECT CONFRONTATIONS WITH INDONESIA OVER ECONOMIC POLICY (THOUGH THE SAME POTENTIALS FOR FRICTION REMAIN IF THREE OR FOUR ASEAN COUNTRIES GO OFF IN A DIRECTION OF THEIR OWN). NOW THAT THE DATES FOR U.S.-ASEAN ECONOMIC DISCUSSIONS HAVE BEEN SET, I BELIEVE HE CAN BE COUNTED UPON TO VOLUNTEER FURTHER THOUGHTS ON WHAT MIGHT BE DISCUSSED. MANY OF HIS IDEAS APPEAR TO BE ALREADY INCLUDED IN THE TENTATIVE

LISTS OF TOPICS PROPOSED BY THE DEPARTMENT FOR INCLUSION
IN THE AGENDA OF THE DISCUSSIONS.
HOLDRIDGE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
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Concepts: PRIME MINISTER, PERSONAL OPINION, MINISTERIAL MEETINGS
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Sent Date: 14-Jul-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Format: TEL
From: SINGAPORE
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Original Handling Restrictions: EXDIS
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Previous Channel Indicators: n/a
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Reference: 77 SINGAPORE 2915
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1860692
Secure: OPEN
Status: NATIVE
Subject: SINGAPORE PRIME MINISTER'S FURTHER THOUGHTS ON 10TH ASEAN MINISTERIAL MEETING
TAGS: EGEN, PFOR, SN, ASEAN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d07d566b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009